

Message Text

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ACTION OPIC-06

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FM AMEMBASSY MANILA
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PASS TO OPIC

E.O. 11652: N/A
TAGS: EINV, EFIN, OPIC, RP
SUBJECT: OPIC APPLICATION -- INTEL CORPORATION-492-76-382

1. EMBASSY HAS BEEN INFORMED OF GOP APPROVAL OF INSURANCE OF INTEL CORPORATION INVESTMENT WITH INTEL PHILIPPINES MANUFACTURING, INC. (IPM), WHICH IS 100 PCT OWNED BY INTEL CORP. APPROVAL IS FOR \$2,557,992 INVESTMENT, NOT \$3,471,800 AS STATED IN INTEL'S APPLICATION. COMPANY OFFICIALS EXPLAIN THAT APPROVED AMOUNT CORRESPONDS TO TOTAL OF INITIAL AND ADDITIONAL EQUITY INVESTMENTS BY PARENT CORPORATION, AND THAT GOP WILL NOT APPROVE INSURANCE OF PLANNED REINVESTED EARNINGS (\$2,000,000) UNTIL THIS INVESTMENT IS COMPLETED. INTEL PLANS TO APPLY FOR ADDITIONAL INSURANCE AT A LATER TIME. THE ORIGINAL OF THE FGA IS BEING FORWARDED DIRECTLY TO OPIC.

2. IPM IS ENGAGED IN AN INCREASINGLY POPULAR TYPE OF VENTURE IN THE PHILIPPINES -- IMPORTATION OF COMPONENTS ON CONSIGNMENT FROM THE PARENT COMPANY, ASSEMBLY, AND RE-EXPORT OF THE ASSEMBLED ITEMS TO THE PARENT. THE PRODUCT IN IPM'S CASE IS LARGE SCALE INTEGRATED (LSI) CIRCUITS, AN APPLICATION OF SEMICONDUCTOR TECHNOLOGY. IMPORTED COMPONENTS COME MAINLY FROM THE U.S., AND THE LIMITED OFFICIAL USE

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ASSEMBLED LSI CIRCUITS ARE RE-EXPORTED, ABOUT 50 PCT TO THE U.S. FOR FURTHER TESTING, ABOUT 50 PCT TO ANOTHER INTEL FACILITY AT PENANG, MALAYSIA, FOR TESTING AND RE-EXPORT TO THE U.S. ABOUT 60 PCT OF FINISHED PRODUCT APPLICATIONS ARE MARKETED IN THE U.S., AND THE REMAINDER IN EUROPE AND JAPAN. IPM IS THE LARGEST PRODUCER OF THE THREE INTEL OVERSEAS OPERATIONS (THE

OTHERS BEING PENANG AND BARBADOS). PRESENT OUTPUT IS ABOUT 800,000 UNITS PER WEEK; PLANNED CAPACITY FOR 1978 IS 35 MILLION, 1979 - 50 MILLION, AND 1980 - 80 MILLION.

3. IPM RECEIVES ABOUT \$500,000 PER MONTH FROM THE PARENT COMPANY FOR VALUE ADDED IN THE ASSEMBLY PROCESS, REPRESENTING ABOUT 10 PCT OF THE VALUE OF THE PRODUCT WHEN IT LEAVES THE PHILIPPINES. THE COMPANY HAS ABOUT 1,300 EMPLOYEES. ASSEMBLY WORKERS BEGIN AT THE MINIMUM WAGE OF 11 PESOS (\$1.50) PER DAY, BUT MOST HAVE BEEN TRAINED TO SEMI-SKILLED OR SKILLED LEVEL, AND AVERAGE TAKE-HOME PAY IS 550 TO 600 PESOS (\$75.35 TO \$82.20) PER MONTH, INCLUDING A 110 PESO LIVING ALLOWANCE.

4. THE COMPANY IS APPROVED BY THE BOARD OF INVESTMENTS (BOI) AS A "PIONEER" INDUSTRY, THE GOP'S MOST SOUGHT-AFTER CATEGORY, FOR WHICH IT GIVES THE MOST LIBERAL INCENTIVES. IPM CONTINUES TO ENJOY A GOOD RELATIONSHIP WITH THE GOP. THE PHILIPPINE OPERATION ALSO HELPS TO MAKE INTEL PRODUCTS COMPETITIVE IN THE U.S. AND WORLD MARKETS. IN VIEW OF THESE FACTORS, THE EMBASSY RECOMMENDS APPROVAL OF THE INSURANCE APPLICATION. MURPHY

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